

Message Text

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ACTION EA-14

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R 160530Z FEB 74

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 0100

INFO AMEMBASSY KUALA LUMPUR

AMEMBASSY JAKARTA

AMEMBASSY CANBERRA

AMEMBASSY MANILA

AMEMBASSY ABU DHABI

AMEMBASSY KUWAIT

AMEMBASSY ISLAMABAD

AMEMBASSY TEHRAN

AMEMBASSY SAIGON

AMEMBASSY PHNOM PENH

AMEMBASSY VIENTIANE

USINT CAIRO

AMEMBASSY BANGKOK

C O N F I D E N T I A L SINGAPORE 0726

CANBERRA FOR INGERSOLL

E.O. 11652: GDS

TAGS: PFOR, SN

SUBJECT: ASST SECRETARY INGERSOLL'S CONVERSATION WITH
FONMIN RAJARATNAM

1. DURING ASST SECRETARY INGERSOLL'S MEETING WITH
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FOREIGN MINISTER RAJARATNAM FEB 14 THE LATTER, WHO

HAD JUST RETURNED FROM TRIP TO MIDDLE EAST WHERE HE VISITED ABU DHABI, KUWAIT, EGYPT, LEBANON, IRAN AND PAKISTAN, MADE FOLLOWING OBSERVATIONS:

A. MAIN REASON FOR HIS TRIP WAS TO GET SINGAPORE PROMOTED FROM NEUTRAL TO FRIENDLY STATUS SO THAT SUPPLY OF ARAB OIL FOR SINGAPORE WOULD BE ASSURED. HE HAD ASSUMED ARAB STATES WERE CONCERNED OVER ISRAELI DIPLOMATIC AND MILITARY MISSION PRESENT IN SINGAPORE AND HAD COME ARMED WITH EXPLANATION. HOWEVER, THEY WEREN'T INTERESTED AT ALL IN SINGAPORE'S RELATIONS WITH ISRAEL, BUT ASKED INSTEAD ABOUT POSSIBILITY OF SINGAPORE INVESTMENT IN THEIR COUNTRIES. (COMMENT: DESPITE RAJARATNAM'S REMARKS GOS, SHORTLY AFTER HIS VISIT TO ARAB COUNTRIES ON HIS ITINERARY, ABRUPTLY TERMINATED CONTRACT WITH ISRAELI MILITARY MISSION AND REQUESTED MISSION MEMBERS LEAVE SINGAPORE AS SOON AS POSSIBLE.) NOTING THAT SINGAPORE WAS HARDLY IN A POSITION TO OFFER FULLY EQUIPPED STEEL MILLS OR DESALINIZATION PLANTS, HE SUGGESTED INSTEAD THAT ARAB COUNTRIES INVEST IN SINGAPORE.

B. ARAB LEADERS IN KUWAIT AND ABU DHABI WERE RIDING HIGH AND ENJOYING A GENERAL STATE OF EUPHORIA BROUGHT ON BY THEIR AWARENESS OF THE POLITICAL POWER OF OIL. HOWEVER, THEY WERE NOT ENTIRELY RATIONAL IN THEIR APPROACH TO PROBLEMS OF DEVELOPING COUNTRIES GENERATED BY SUDDEN INCREASE IN OIL PRICES. HE SAID HE COULD SYMPATHIZE WITH THESE GOVERNMENTS FOR BELIEVING THEY HAD BEEN SWINDLED FOR YEARS BY THE MAJOR OIL COMPANIES, BUT THAT HE HAD TRIED TO POINT OUT THAT THE CURRENT UNUSUALLY HIGH MARKET PRICE FOR OIL COULD NOT LAST, AND DID NOT BEAR ANY REAL RELATIONSHIP TO THE PRICE WHICH OTHER COUNTRIES PRODUCING OTHER PRODUCTS AT A HEAVIER COST IN LABOR COULD AFFORD TO PAY. HE TOLD THE ARAB LEADERS THAT SINGAPORE AND OTHER SMALL COUNTRIES WERE CAUGHT IN THE MIDDLE IN A STRUGGLE BETWEEN WEALTHY OIL PRODUCING AND RICH CONSUMING STATES. THE ARABS RESPONDED BY REFERRING TO THEIR PLANS TO ESTABLISH A BANK WHICH WOULD PROVIDE LOW COST

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LOANS. IN RAJA'S VIEW THIS WAS NOT ONLY INADEQUATE BUT ALSO UNJUSTIFIABLE SINCE IT WAS ONLY THE INORDINATELY HIGH PRICE OF OIL WHICH WOULD FORCE COUNTRIES TO REQUEST SUCH LOANS.

C. DESPITE ARAB SHOW OF UNANIMITY, HE WAS CONVINCED BY MANY THINGS HE HEARD THAT THE ARABS ARE UNDERCUTTING EACH OTHER IN THEIR EFFORTS TO SELL OIL. ONCE NEGOTI-

TIATIONS BETWEEN ARABS AND ISRAELIS WERE IN FULL SWING AT GENEVA, HE WAS CONVINCED THAT THIS UNDER-THE-TABLE DEALING ON OIL WOULD PRODUCE SERIOUS FISSURES IN THE ARAB WORLD.

D. RE PROSPECTS FOR ARAB-ISRAELI SETTLEMENT, RAJARATNAM FELT EGYPTIANS WERE RELATIVELY RATIONAL. PARTLY AS RESULT OF PRESSURE FROM THEIR INTELLECTUALS, EGYPTIAN NATIONALISM IS NOW PREVAILING OVER PAN-ARAB SENTIMENT. HE FOUND EGYPTIANS OPTIMISTIC ABOUT RECOVERING THEIR OWN TERRITORIES AND THOUGHT THAT DESPITE DIFFICULT NEGOTIATIONS, THE GOLAN HEIGHTS PROBLEM WOULD BE SETTLED NEXT. THEY ALSO THOUGHT PROBLEM OF JERUSALEM WOULD BE SETTLED THROUGH INTERNATIONALIZING THE CITY, BUT FELT SOLUTION OF PALESTINIAN QUESTION WOULD BE LONG AND DRAWN OUT.

E. EGYPTIANS ADVISED RAJARATNAM THAT THE SUEZ CANAL WOULD BE OPEN IN SIX MONTHS AND REQUESTED SINGAPORE'S ASSISTANCE IN PORT DEVELOPMENT. HE SAID SINGAPORE HAS AGREED TO SEND EXPERTS TO HELP DEVELOP ALEXANDRIA AND PORT SAID.

F. IN IRAN, RAJARATNAM DID NOT PRESS HIS HOSTS ABOUT EXCESSIVELY HIGH OIL PRICES BECAUSE IT WAS CLEAR THAT THE SHAH WANTED THE MONEY. FURTHERMORE, HE THOUGHT THAT OF ALL THE COUNTRIES HE VISITED, IRAN WOULD MAKE THE BEST USE OF THE MONEY. IRANIAN FOREIGN MINISTER HAD SUGGESTED THAT OTHER GOVERNMENTS SHOULD NOT PICK ON THE HIGH OIL PRICES WHEN THE PRICES OF ALL OTHER NATURAL COMMODITIES HAD ALSO GONE UP. RAJARATNAM HAD REJOINED THAT THERE OUGHT TO BE A

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MEETING TO CORRELATE PRICES IN THE VARIOUS SECTORS OF THE WORLD ECONOMY. (SEE SINGAPORE 707 (NOTAL) FOR RAJARATNAM'S DISCUSSION WITH THE GOI ON THE INDIAN OCEAN.)

G. IN PAKISTAN RAJARATNAM SAID THAT WHEN HE HAD TOLD PRIME MINISTER BHUTTO THAT ARAB ACTIONS ON OIL HAD BEEN SHORT-SIGHTED, LATTER HAD AGREED BUT SAID HE COULD NOT SAY SO IN PUBLIC. HE TOLD BHUTTO THAT IF THE MEETINGS IN WASHINGTON COULD BE DIRECTED TO SHOW A REAL INTEREST IN THE PLIGHT OF THE LESS DEVELOPED COUNTRIES RESULTING FROM HIGH OIL PRICES, IT WOULD EVENTUALLY PUT THE ARABS ON THE DEFENSIVE. RAJA SAID HE FOLLOWED THIS UP IN BANGKOK BY SUGGESTING THAT ECAFE PREPARE A PAP

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